The Health Insurance Landscape

Indiana Family Impact Seminar
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The Uninsured
How Big is the Problem?

Indiana: 16%
U.S.: 18%
Max: Texas 27%
Min: Iowa and Minnesota 10%


Uninsured Percentages by State Nonelderly (0-64) 2005

The Health Insurance Landscape

Major Sources of Coverage
Percentage of Nonelderly 2005

<table>
<thead>
<tr>
<th></th>
<th>Employer</th>
<th>Individual</th>
<th>Medicaid/ SCHIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indiana</td>
<td>65%</td>
<td>4%</td>
<td>13%</td>
</tr>
<tr>
<td>U.S.</td>
<td>61%</td>
<td>5%</td>
<td>14%</td>
</tr>
</tbody>
</table>


Paying for Employer-Sponsored Health Insurance
Premiums for Family Coverage

<table>
<thead>
<tr>
<th></th>
<th>Indiana</th>
<th>U.S.</th>
<th>Min</th>
<th>Max</th>
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<tbody>
<tr>
<td>% paid by employer</td>
<td>79%</td>
<td>76%</td>
<td>67%</td>
<td>84%</td>
</tr>
<tr>
<td>% paid by employee</td>
<td>21%</td>
<td>24%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total premium</td>
<td>$9,869</td>
<td>$10,006</td>
<td>$7,800</td>
<td>$11,742</td>
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</tbody>
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Some Ideas that Seemed Good But Have Not Worked

- Subsidies
  - to Workers Already Offered Employer Insurance.
  - to Small Employers Not Offering Insurance.

- Small Group Reforms
  - State policies designed to increase access and affordability of insurance for workers at small firms.

Subsidies to Workers

- In 2004, 20% of workers eligible for offered employer health insurance did not enroll.
  - 23% in Indiana

- Research shows that these workers are not likely to enroll voluntarily even with sizeable subsidies.
  - 75% subsidies increased participation by 3 pct points.

Subsidies to Firms

- 45% of private establishments and 65% of establishments with < 10 workers do not offer HI to their workers.
  - 49% and 75% in Indiana

- Studies have found only a small impact on firm offer rates of moderate to large subsidies.
  - “few takers” for a 50% subsidy in New York State.

Small Group Reforms

- Problem most severe for small firms
  - Private sector establishments offering health insurance
    - Only 43% with < 50 employees
    - 95% of those with > 50 employees

- Many reform efforts are aimed at small firms
  - Small group reforms – early 1990’s
    - Guaranteed issue
    - Guaranteed renewal
    - Rating restrictions

Beware of Unintended Consequences

- Inadvertently making health insurance more expensive.
- Changing the risk pool.
- Subsidizing too many of those who would have bought insurance anyway.

Voted Most Likely to Succeed

- Public Insurance Expansions
- Individual Mandate
Public Expansions – Recent History

• SCHIP/Medicaid expansions have increased coverage, especially for children.
• More expansive eligibility for children allowed SCHIP/Medicaid to offset recent declines in employer sponsored coverage for children.
  - Indiana: Low Income Children (< 200% pov) 2000-2004
    • 10 point decline in employer sponsored coverage
    • But 9.9% DECREASE in uninsured low-income children due to 22.7 point increase in coverage by Med/SCHIP

Individual Mandate

• Individual Mandate
  - Legal requirement that everyone obtain health insurance coverage.
  - Usually includes sliding scale premiums or some assistance for the low-income.
  - Often discussed in a framework that encourages development of “bare-bones” or catastrophic coverage (to keep premiums lower).
• Politically Feasible (outside Mass.)?
  - Individual responsibility (rather than employer responsibility) may make it more politically feasible.
  - Model of mandated auto insurance.
  - Has seen some bipartisan support but, even those who support it do not necessarily agree that it is politically feasible.

Voted Most Likely to Succeed
Public Insurance Expansions

• Builds on current public programs
  - Infrastructure already in place.
  - Incremental reform that could be implemented relatively quickly.
• Could expand eligibility to some targeted groups:
  - Extend SCHIP eligibility to parents in all states.
  - Extend Medicaid to more poor adults.
  - Allow 60-64 year olds to buy into Medicare or Medicaid.
• Drawbacks:
  - Full cost borne by government.
  - Does not achieve universal coverage.

Voted Most Likely to Succeed
Individual Mandate

• Has Potential to Achieve Universal Coverage
  - Doesn’t target only employed or only low-income.
• Alleviates problem of uncompensated care.
• Creates a more stable risk pool in individual and small group markets.
• Those who can afford it bear their own costs.
• Drawbacks:
  - Political objections.
  - Enforcement difficult?
  - What would be the public cost?

Keep on the Radar Screen

• Reinsurance
  - Government pays most costs of those with highest 1% of health expenditures.
  - Alleviates insurers’ need to avoid high risks.
  - Meant to increase access in small group and individual market and keep premiums lower.
• “Buy-in” to Federal or State Employee plans
  - Others could participate or “buy in” to these plans.
  - Large risk pool.
  - Wide variety of plans; many choices.

Conclusions

• These are promising options.
• Will probably take a multi-pronged approach.
• Some combination of those “voted most likely to succeed” and other smaller complementary reforms such as reinsurance.
• Also strong political will.

Sources


Links

• http://www.statehealthfacts.org
• http://www.statecoverage.net/index.htm
• http://www.citizenshealthcare.gov/